

PUBLIC REVIEW DRAFT (7/12/04)

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

AMERICAN LAND CONSERVANCY
1388 Sutter Street, Suite 810
San Francisco, CA 94109
Attention: Ms. Harriet Burgess

(Space above line for Recorder's use only)

**DEED OF CONSERVATION EASEMENT
AND AGREEMENT CONCERNING EASEMENT RIGHTS**

This Grant Deed of Conservation Easement (the "Conservation Easement") is granted on this _____ day of _____, 2004, by HEARST HOLDINGS, INC., a Delaware corporation ("Grantor"), to AMERICAN LAND CONSERVANCY, a California nonprofit public benefit corporation ("Grantee"), hereinafter collectively referred to as the "Parties".

RECITALS

A. Grantor is the sole owner in fee simple of certain real property consisting of approximately 81,777 acres, located in San Luis Obispo County, California, and described in **Exhibit A** attached hereto (the "Ranch"). ***[Review Note: If the Junge Ranch is not included in initial closing because of inability or delay in getting tax credits, Junge Ranch will be removed from the legal description of the "Ranch".]*** Grantor intends to grant to Grantee a conservation easement over most of the Ranch (the "Easement Area"), as described in **Exhibit B** attached hereto, and illustrated in **Exhibit C** attached hereto (the "Easement Area Map"). The Easement Area consists of approximately 80,000 acres of land, together with any improvements located within the Easement Area. ***[Review Note: A reduction of 5 acres will be necessary for the temporary carve-out of an envelope adjacent to the Visitors Center, from which 2 acres will be selected and conveyed to the Department of Parks and Recreation pursuant to a separate agreement between DPR and Hearst. Once that selection is made, the remainder of the envelope will become subject to this Conservation Easement. Pending the selection, the envelope will be subject to restrictions per a separate agreement by and among Hearst, the State and ALC. Also address potential need for two further adjustments to reflect exclusion of the area subject to the TNC reverter right (160 acres) and the area subject to the Polar Star mining***

claims (145 acres), discussed in East Side Transaction Summary.] The Ranch is located in northern San Luis Obispo County along the central California coast and extends from near the Monterey County line (on the north boundary) to just north of San Simeon Creek (on the south boundary), inland across much of the Santa Lucia range to well beyond the watershed divide of the Salinas River basin and to part of Lake Nacimiento. The Ranch surrounds Hearst-San Simeon State Historical Monument ("Hearst Castle"), which is listed in the National Register of Historic Places.

B. Grantee is a "qualified organization" as defined by Section 170(h)(3) of the Internal Revenue Code and is eligible to hold this Conservation Easement pursuant to Section 815.3 of the California Civil Code. As certified by resolution of its governing body, Grantee accepts the responsibility of monitoring and enforcing the terms of this Conservation Easement and upholding its conservation purposes.

C. The grant of this Conservation Easement, including Grantor's exercise of rights as retained in the Conservation Easement, will further the purposes of several governmental conservation policies, including:

Section 815 of the California Civil Code, in which the California Legislature has declared: (1) that "the preservation of land in its natural, scenic, agricultural, historical, forested, or open-space condition is among the most important environmental assets of California"; and (2) that it is "in the public interest of this state to encourage the voluntary conveyance of conservation easements to qualified nonprofit organizations";

Section 51220 of the California Government Code, in which the California Legislature has declared that: (1) "in a rapidly urbanizing society agricultural lands have a definite public value as open space, and the preservation in agricultural production of such lands ... constitutes an important physical, social, esthetic, and economic asset to existing or pending urban or metropolitan developments"; and (2) "land within a scenic highway corridor or wildlife habitat area ... has a value to the State because of its scenic beauty and its location adjacent to or within view of a State scenic highway or because it is of great importance as habitat for wildlife and contributes to the preservation or enhancement thereof."

Section 30001 of the Public Resources Code, in which the California Legislature has declared that: (1) "the California Coastal Zone is a distinct and valuable natural resource of vital and enduring interest to all the people and exists as a delicately balanced ecosystem"; (2) "the permanent protection of the state's natural and scenic resources is a paramount concern to present and future residents of the state and nation"; (3) "to promote the public safety, health, and welfare, and to protect public and private property, wildlife, marine fisheries, and other ocean resources, and the natural environment, it is necessary to protect the ecological balance of the coastal zone and prevent its deterioration and destruction"; and (4)

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“existing developed uses, and future developments that are carefully planned and developed consistent with the policies of this division, are essential to the economic and social well being of the people of this state and especially to working persons employed within the coastal zone.”

Public Resources Code Section 30251, which provides that the “... scenic and visual qualities of coastal areas shall be considered and protected as a resource of public importance”;

Water Code Section 79501 in which the people of California have declared that “it is necessary and in the public interest to protect, restore and acquire beaches and coastal uplands, wetlands and watershed lands ... to protect the quality of drinking water, to keep beaches and coastal waters safe from water pollution, and to provide the wildlife and plant habitat and riparian and wetland areas needed to support functioning coastal ... ecosystems for the benefit of the people of California.”

The San Luis Obispo County Board of Supervisors resolution, dated January 7, 2003, which declares that “Hearst Ranch represents one of the most significant conservation opportunities in the nation — nearly 128 square miles of rugged shorelines, rolling grasslands, craggy peaks and classic California working cattle ranch landscape”; and

The Coastal Plan Policies set forth in the certified San Luis Obispo County Local Coastal Program, under the “Applicable Rules” as defined in Section 31, call for protection of visual and scenic resources, maintaining agricultural land for agricultural production and protecting environmentally sensitive habitats.

D. The Easement Area possesses extraordinary ecological, agricultural, and scenic values (collectively, the “Conservation Values”) that are of great importance to Grantor, Grantee, the people of the County of San Luis Obispo (“County”) and the State of California, and visitors from across the United States of America. The Conservation Values include the following:

- Productive, agriculturally viable, and well-managed rangeland, comprised of a variety of native perennial grasslands, Mediterranean grasslands and coastal prairie, as well as areas of prime farmland, cropland soils, and irrigated pastures of Local Potential and Local Importance as identified by the U.S. Department of Agriculture’s Natural Resources Conservation Service and the California Department of Conservation;
- One of the most remarkable and diverse assemblages of native plants, plant communities and natural habitats in all of California, including more than 1,000 plant and wildlife species at least 28 of which hold special status (federal or state endangered, threatened or rare) classification. In addition,

at least 17 plants listed by the California Native Plant Society are known to occur. Several species on the Easement Area exist nowhere else on earth. Cultural and archeological resources, coastal and interior habitats, and native plant and wildlife species, maintained in a large, contiguous and principally undeveloped landscape with connectivity providing wildlife corridors to other large natural open areas (including Los Padres National Forest, Fort Hunter Liggett, Camp Roberts, other open lands held by state and federal agencies and private parties and the Pacific Ocean); habitats represented within the Easement Area include: coastal creeks, streams, springs, wetlands, stock ponds, perennial grasslands, serpentine outcroppings and soils, dunes, maritime chaparral mosaics, coastal prairie, coastal bluff scrub, oak woodlands, oak savannas, riparian woodlands, sycamore woodlands and mixed and multiple species of evergreen forests; and

- Unsurpassed coastal scenic vistas, Santa Lucia Mountain views, and the historic working ranching landscape as viewed by millions of visitors along State Highway 1, a federally designated All-American Road, and from the Hearst Castle.

More specifically, the Conservation Values which will be protected under the provisions of this Conservation Easement include:

- **Resources and Habitats**

The Easement Area offers extraordinary resources on approximately 80,000 acres. Elevations on the Easement Area rise from sea level along the coastline to over 3,000 feet on some of the peaks along the ridgeline of the Santa Lucia Mountains. In addition to the sheer size of the Easement Area, the diverse topography and climate contribute to the vast and diverse number of species on the Easement Area. Plant and wildlife habitats and their approximate acreages within the Easement Area, which are more specifically described in the Baseline Conditions Report defined in Recital F below, include the following ***[Review Note: Acreages and categories of resources need to be reviewed to segregate resources located on the East Side.]***

- 20 acres of wetlands and freshwater lagoons
- 25,000 acres of California grassland and coastal prairie
- 7,500 acres of coastal scrub communities
- 15,000 acres of chaparral communities
- 28,500 acres of coast live oak and other woodlands
- 1,400 acres of riparian woodland and riparian streams
- 3,300 acres of forests
- 100 acres of streambeds/floodplains
- More than 60 stock ponds

- 7 major watershed drainages

More than 1,000 plant and wildlife species have been identified on the Easement Area. Twenty-eight (28) plant and wildlife species hold special status (federal or state endangered, threatened or rare) classification, and an additional seventeen (17) plant species are listed by the California Native Plant Society are known to occur. Some of the rare species exist only on the Easement Area. The vast plant and wildlife species identified on the Easement Area include:

- The golden eagle, a California species of special concern
- The federally threatened California red-legged frog
- The yellow-legged frog, a California species of special concern
- The federally threatened steelhead
- The federally threatened tidewater goby
- The California newt, a California species of special concern
- The State endangered Hearst's manzanita
- The State threatened Hearst's ceanothus
- The federally endangered Contra Costa goldfields
- The State rare adobe sanicle
- A vast array of wetlands plants

Many non-listed species of wildlife, including amphibians, reptiles, birds and mammals occur on the Easement Area. Some of the mammals include:

- California black bears
- Zebras
- Black tailed deer
- Roosevelt elk
- Barbary sheep
- Sambar deer
- Bobcats
- Mountain lions
- Tahr goat

- **Visual Resources**

The Easement Area possesses spectacular visual resources. The surrounding public resources further enhance the importance of the Easement Area's visual resources. The federally designated All-American Road and California Scenic Highway 1 runs adjacent to the Easement Area and is a major scenic corridor that is used by approximately four million car trips per year. Further, the Easement Area surrounds the

Hearst Castle, which is visited by approximately one million people each year.

- **Ecological Connectivity**

The Easement Area has one of the most remarkable and diverse assemblages of native plants, plant communities, and natural habitats in California. Few, if any areas approach the Easement Area's diversity of species and vegetation types and some of the Easement Area's rare species do not occur elsewhere on earth. Because of the Easement Area's size and resources, it provides significant ecological connections to other parts of the State and to other nearby conservation efforts.

The Easement Area's vast grasslands, woodlands and forests, provide a critical link connecting migratory pathways and habitat corridors between Central and Southern California. The Easement Area provides a continuous habitat link to the Los Padres National Forest, Fort Hunter Liggett, and the Nacimiento and San Antonio watersheds.

In total, the Easement Area contains at least seven major watershed drainages covering a total of approximately 80,000 acres of the Central California coast and inland foothill region. This includes the San Carpoforo, Arroyo de la Cruz, Oak Knoll/Arroyo Laguna, Little Pico Creek, Pico Creek, Nacimiento, and the Little Burnett Creek/Tobacco Creek watersheds.

In addition, the Easement Area provides a logical link to other conservation efforts in the area including the addition of the Williams, Sur Sur Ranch and Baldwin properties to the Los Padres National Forest, to the north, the purchase of the East-West Ranch in Cambria and the Molinari, CT Ranch, Williams, Sea West, and Estero conservation acquisitions to the south. This Conservation Easement in connection with these other conservation efforts assists in the overall goal of protecting large areas of intact California native plant and animal habitats from Cayucos north to the Big Sur coast.

Because of the Easement Area's size and resources, this Conservation Easement provides a cumulative benefit by: (i) preventing fragmentation of resources both within the Easement Area and with respect to conservation areas to the north and south; and (ii) providing a conservation opportunity that cannot be matched by conservation of smaller properties on a piece-by-piece basis.

- **Historic Working Landscape**

The Easement Area has operated as a cattle ranch since the mid-1800's. This Conservation Easement preserves the historic working landscape on the Easement Area, which includes the continuing ranch operations. In addition to providing a continued economic benefit by providing a foundation for jobs, taxes and agricultural production, the ranch operations are a critical component to protecting and maintaining the Easement Area's resources. Grassland and coastal prairie areas along the terraces are in excellent condition due to the past good stewardship of the Ranch. As a result of the continued operations, the Easement Area will remain on the tax rolls and Easement

Area maintenance costs will be privately funded.

F. The Conservation Values of the Easement Area, and its current uses and existing state of improvement, are described in a "Baseline Conditions Report" dated as of the Effective Date, as defined in Section 37, consisting of maps, photographs, and other documents, and acknowledged by both Grantor and Grantee to be complete and accurate as of the Effective Date. Both Grantor and Grantee have copies of this Baseline Conditions Report. It will be used by the Grantor and Grantee as a resource tool to assist in monitoring and enforcing the terms of this Conservation Easement, including evaluating changes in the conditions and use of the Easement Area in relation to the conditions and use of the Easement Area as of the date of this Conservation Easement. This Baseline Conditions Report, however, is not intended to preclude the use of other evidence to establish the condition of the Easement Area as of the date of the conveyance of the Conservation Easement if there is a controversy over its then-existing condition, nor is this report to be used to change or interfere with Grantor's exercise of its retained rights in accordance with the Conservation Easement.

G. Grantor and Grantee recognize that the Conservation Values of the Easement Area exist today in large part because of the sound stewardship of Grantor and Grantor's predecessors. Both Grantor and the Grantee desire to maintain these Conservation Values in perpetuity, by the continuation and permitted evolution of Grantor's land use practices, including those practices relating to Grantor's livestock grazing, agricultural operations and other uses, in accordance with the terms and conditions of this Conservation Easement. Grantor intends, as owner of the Easement Area, to convey to Grantee the right to protect against impairment of the Conservation Values in perpetuity in accordance with the terms of this Conservation Easement.

H. This Conservation Easement, in conjunction with other conservation transactions involving the Ranch, eliminates current and future development rights with the exception of: (i) a small inn of no more than 100 new units and visitor serving uses to be located in Old San Simeon Village ("OSSV"), historically consistent with recently discovered Julia Morgan drawings; (ii) retained uses consistent with coastal agricultural zoning, including limited employee housing; (iii) limited industrial, recreational and commercial uses; and (iv) restricted homesite development rights for a maximum of 27 new owner homesites. The 27 new owner homesites would be located east of Highway 1 and would be developed in accordance with criteria, including siting and access guidelines, designed to provide significant protection for sensitive environmental and cultural resources and the existing public viewshed from Highway 1 and Hearst Castle. In defining Grantor's limited reserved rights for the development of new homesites within the Easement Area, Grantor and Grantee have provided for clustering of Owner Homesites in Subsection 3(d) and Section 4 below, to minimize the potential impacts on the Conservation Values. Grantor and Grantee acknowledge that the clustering authorized in this Conservation Easement may not currently be allowed under the applicable Local Coastal Plan, but believe that clustering of the homesites as described in this Conservation Easement is superior, for the protection of the Conservation Values, to the siting of homesites without such clustering. Grantor and Grantee have

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endeavored to identify eligible homesites in accordance with criteria, including siting and access guidelines, designed to protect the Conservation Values, and especially the ecological values.

I. This Conservation Easement provides appropriate mechanisms for ensuring in perpetuity against impairment of Conservation Values through collaboration between Grantor and Grantee in the development of a management plan for the Easement Area, Grantee's review and approval of proposed activities as specified herein, as well for Grantee's monitoring and enforcement rights defined herein.

J. This Conservation Easement is being granted in connection with other conservation transactions affecting the portion of the Ranch located on the west side of U.S. Highway 1. Through this combination of conservation transactions, the entirety of the Ranch is being conserved in perpetuity as governed by the terms of these conservation transactions.

K. Grantee has entered into Grant Agreement No. _____ with the California Wildlife Conservation Board ("WCB"), pursuant to which WCB provided funding for the acquisition of this Conservation Easement (the "WCB Grant Agreement"), a copy of which has been provided to Grantor. A notice of the WCB Grant Agreement is being recorded concurrently herewith. Grantor acknowledges that, in the event of a "Default" by Grantee under the WCB Grant Agreement, as that term is defined in the WCB Grant Agreement, WCB may elect to require Grantee to assign its interest under this Conservation Easement to a qualified entity; *provided*, that such assignment must be made in accordance with the provisions of Section 18 of this Conservation Easement. WCB is not a party to this Conservation Easement and Grantor is not granting any interest or rights to WCB by its conveyance of this Conservation Easement to Grantee, other than as expressly provided in Section 18 of this Conservation Easement.

DEED AND AGREEMENT

In consideration of the recitals set forth above, and of their mutual promises and covenants, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Grantor hereby grants and conveys to Grantee, its permitted successors and assigns, and Grantee hereby accepts, a perpetual "conservation easement" as defined by Section 815.1 of the Conservation Easement Act of 1979 (California Civil Code, Section 815 *et seq.*), of the nature and character described in this Conservation Easement, over the Easement Area.

1. **Conservation Purpose.** The purpose of this Conservation Easement is to achieve protection of the Conservation Values by sustaining in perpetuity a combination of agricultural operations and natural habitats within the Easement Area in accordance with the terms and conditions of this Conservation Easement (the "Conservation Purpose"). Consistent with the requirements set forth in Treasury Regulations

§§ 1.170A-14(e)(1)-(2), no use or activity shall be permitted that would result in the impairment of Conservation Values protected by this Conservation Purpose.

The Parties agree that Grantor's retention of certain rights specified in this Conservation Easement, including specified agricultural, residential, recreational and commercial uses, is consistent with the Conservation Purpose, provided that those rights are exercised in accordance with this Conservation Easement. The Parties further agree that some intensification of the current agricultural uses, as hereinafter permitted, will serve to promote the continuing commercial viability of the agricultural uses of the Easement Area and thus assist in achieving the Conservation Purpose. As used in this Conservation Easement, the phrase "impair(s) Conservation Values," "impairment of Conservation Values" or "impairing Conservation Values" means substantially reduce(s) or substantially reducing, for more than a transient period, Conservation Values.

2. **Prohibited Acts.** Grantor promises that it will not perform, or knowingly allow others to perform, any activity or use on the Easement Area in conflict with the covenants set out in this Conservation Easement. Grantor authorizes Grantee to enforce these covenants. Nothing in this Conservation Easement shall require Grantor to take any action to restore the condition of the Easement Area caused by (i) the elements of nature, which include, without limitation, fire, climatic change, flood, storm, earth movement, or natural evolutionary changes in the condition of the Easement Area from that described in the Baseline Conditions Report; (ii) any prudent action taken by Grantor under emergency conditions to prevent, abate, or mitigate significant injury to the Easement Area or to any person resulting from such causes; or (iii) the non-permitted acts of unrelated third parties so long as Grantor has taken reasonable steps to control such acts. Grantor understands and agrees that nothing in this Conservation Easement relieves it of any obligation or restriction in relation to the development or use of the Easement Area imposed by law, including but not limited to local land use restrictions.

3. **Construction of Buildings, Facilities and Other Structures.** The construction or reconstruction of any building, facility or structure of any type, is prohibited except as such construction or reconstruction is permitted in accordance with the provisions of this Section 3 and Section 9. Concurrently with submitting any application to any regulatory agency(ies) for permits required for the construction of a building, facility, structure or land use authorized in Section this Section 3 or in Section 9, Grantor shall provide written notice to Grantee, accompanied by a copy of each such application. ***[Review Note: Existing buildings, facilities, and other structures will be inventoried in the Baseline Conditions Report and will be classified according to the categories described below.]***

(a) Incidental Ranch Facilities. "Incidental Ranch Facilities" consist of fences, squeezes, loading chutes, holding fields, corrals, utilities (including gas, electrical and telecommunications), sewage disposal facilities and systems, and water distribution and irrigation facilities within the Easement Area supporting uses of or activities on the Easement Area authorized by this Conservation Easement. Incidental Ranch Facilities existing on the Effective Date, as defined in Section 37 below, may be

repaired and replaced, with like facilities, at their existing locations, or removed, without having to seek permission from Grantee. New Incidental Ranch Facilities not existing on the Effective Date may be constructed, repaired and replaced within the Easement Area, without permission from Grantee; *provided*, that any such repair, replacement or construction of new Incidental Ranch Facilities is reasonably related to the permitted uses and activities in the Easement Area and does not impair Conservation Values.

(b) Non-Residential Buildings, Structures and Other Facilities for Authorized Uses or Activities. Grantor may enlarge (by not more than a cumulative fifty percent (50%) in size per structure), repair and replace, with a like facility, any non-residential building and any other non-residential structure or facility, the use of which is authorized by Sections 9, 11 or 12, and is not covered by the provisions of Subsection 3(a), above (excluding the aircraft runway and associated structures, which are addressed below) existing on the Effective Date, at its existing location, without having to seek permission from Grantee; *provided*, that any enlargement, repair or replacement must be reasonably related to the permitted uses or activities in the Easement Area and must not impair Conservation Values. Before any other construction or enlargement greater than a cumulative fifty percent (50%) in size of any non-residential building or other non-residential structure or facility (except those allowed by Subsection 3(a) or the first sentence of this Subsection 3 (b)), Grantor must first obtain the written consent of Grantee, which consent shall be granted if Grantor demonstrates that the proposed construction or enlargement greater than fifty percent (50%) is in support of the permitted uses of the Easement Area, and will not impair Conservation Values. Enlargement shall be determined based upon the size of the structure on the Effective Date.

(c) Existing Owner Dwellings and Accessory Structures. Grantor may enlarge (by not more than a cumulative fifty percent (50%) per structure over the square footage of the structure on the Effective Date), repair, and replace, with a like structure, any residential structure not used for employee housing ("Existing Owner Dwelling") and/or Existing Owner Dwelling accessory structure existing on the Effective Date, at its existing location, without having to seek permission from Grantee; *provided*, that any enlargement, repair or replacement must not impair Conservation Values. Before any enlargement or replacement greater than a cumulative fifty percent (50%) of any such structure, Grantor must first obtain the written consent of Grantee that the enlargement or replacement will not impair Conservation Values. Enlargement shall be determined based upon the size of the structure on the Effective Date.

(d) New Owner Homesites. Grantor retains the right to locate and build one single family residence and accessory structures and facilities on each of a maximum of twenty-seven (27) new owner homesites ("Owner Homesites") in accordance with the criteria specified in **Exhibit H**. In no event shall Grantor exceed the limit of twenty-seven (27) Owner Homesites.

(e) New Employee Housing to Support Old San Simeon Village ("OSSV") Uses. Employee housing units to support a small inn of no more than 100

new units and visitor serving uses to be located in OSSV, which shall be consistent with recently discovered Julia Morgan drawings ("OSSV Uses"), will be limited to the number of units, if any, required by any regulatory agency as a condition of approval of development of any allowable OSSV Uses. All OSSV employee housing units shall be located within the Junge–OSSV Employee Housing Area shown on **Exhibit D-5**. OSSV employee housing units shall comply with the Applicable Rules (as defined in Section 31) and may be either detached or attached (common wall). Grantor is allowed, but not required, without having to seek permission from Grantee, to annex the Junge-OSSV Employee Housing Area to the San Simeon Community Services District and to seek zoning changes and other regulatory approvals for the employee housing uses allowed within the Junge-OSSV Employee Housing Area. ***[Review Note: If the Junge Ranch is not included in the initial closing because of inability or delay in getting tax credits, this subsection will be deleted (but reinserted by amendment in the event of a deferred closing of the Junge Ranch transaction)]***

(f) Signs. No billboards shall be erected within the Easement Area. Signs denoting the names and addresses of residents on the Easement Area, directional signage, signs denoting allowable business uses, signs describing other Grantor-permitted activities on the Easement Area, or signs used to control unauthorized entry or use of the Easement Area, are permitted. Grantee may install and maintain, at Grantee's sole cost and expense, signage within the Easement Area to indicate the participation of Grantee, the California Rangeland Trust, Grantor, and of any of Grantee's public or private funding sources in the acquisition and maintenance of the Conservation Easement; *provided*, that the size, location, number, text and design of any such sign shall be subject to the reasonable approval of Grantor; *provided further*, that Grantor agrees that the standard logos of the California Rangeland Trust, Grantee, and each agency of the State of California that has provided funding for Grantee's acquisition of the Conservation Easement, may be included on any such sign.

(g) Aircraft Runway and Associated Structures. Grantor may maintain and replace, with facilities of like size and function at their existing locations, the existing aircraft runway and associated structures without having to seek permission from Grantee. Grantor may enlarge the existing runway or associated structures only with Grantee's advance written permission upon a showing to Grantee's reasonable satisfaction that the proposed enlargement will not impair Conservation Values. Grantor may relocate the existing runway or associated structures only with Grantee's advance written consent upon a showing that the need for relocation is caused by the elements of nature or actions of third parties beyond the control of Grantor and the relocation will not impair Conservation Values.

4. **Subdivision**. Except as provided in **Exhibit H**, Grantor shall not separately sell, transfer or subdivide (by legal or any other process) any portion of the Easement Area, including existing parcels for which certificates of compliance have been issued, separate from the balance of the Easement Area (collectively referred to herein as "Divide" or "Division"). Concurrently with submitting any application to any regulatory

agency(ies) for any Division, Grantor shall provide written notice to Grantee, accompanied by a copy of each such application.

5. **Development Rights.** Grantor hereby grants to Grantee all development rights, except retained development rights reserved to Grantor herein, that are now or hereafter allocated to, implied, reserved or inherent in the Easement Area, and the Parties agree that such development rights are terminated and extinguished. Except as specifically provided herein, the Easement Area may not be used for the purpose of calculating permissible development or lot yield of any other property.

6. **Resource Stewardship.**

(a) Range, Cropland and other Agricultural Management. Any ranching, cropland, and other agricultural operation within the Easement Area shall be conducted in accordance with the Interim Management Criteria defined in Subsection 6(c) until completion of the Management Plan prepared pursuant to Subsection 6(c), after which all such operations shall be conducted in accordance with the Management Plan. The Management Plan shall address appropriate management practices as hereinafter described for soil and water conservation, erosion control, pest management (including use of herbicides, pesticides and biocides), nutrient management, water quality and habitat protection on the portions of the Easement Area used for range, cropland or other agricultural operations. The Management Plan shall also address qualifications of the management entity or entities responsible for the Common Management Program. Grantor and Grantee recognize that changes in economic conditions, in weather cycles, in grazing technologies, and in conservation practices may dictate an evolution and adaptation in the management of the range and cropland resources of the Easement Area, consistent with the Conservation Purpose. The prescriptions for the management of range resources shall include, but not be limited to: (1) reasonable controls on the active introduction and spread caused by Grantor or Grantor's lessees, licensees, permittees or invitees of non-native exotic invasive plant species; (2) reasonable residual dry matter requirements, which shall vary according to slope, soil and precipitation conditions; and (3) reasonable practices which serve to balance continued agricultural uses with the protection of the other Conservation Values, including water quality and riparian habitat within the Easement Area.

(b) Woodland Resource Management. Grantor's Management Plan, prepared pursuant to Subsection 6(c), shall promote reasonable practices which serve to balance continued agricultural uses with protection of the overall health of the Oak, Monterey Pine, Ponderosa Pine, Coulter Pine, Knobcone Pine, Santa Lucia Fir and Sargent Cypress tree resources within the Easement Area. Appropriate special restrictions on tree cutting, in addition to the following general restrictions, shall be determined in accordance with the planning process specified in Subsection 6(c), below. In addition to such special restrictions on tree cutting as are so determined, any and all tree cutting on the Easement Area shall be limited to such cutting as is reasonably necessary for the creation and maintenance of reasonable livestock movement corridors, to control insects and disease, to prevent personal injury and

property damage, to salvage dead or dying trees, for fuel load management, and minor cutting to create space to reasonably accommodate allowed land uses under Grantor's retained rights. Any wood salvaged in connection with such authorized tree cutting, and any downed wood, may be removed from the Easement Area or used within the Easement Area for authorized uses including firewood, other domestic or agricultural uses, and other Grantor retained rights within the Ranch, including construction and repair of permitted buildings, structures, trails, roads and fences.

(c) Planning and Consultations. Within one year after the Effective Date, Grantor shall submit a written management plan ("Management Plan") for Grantee's review and approval, which shall set forth an overview of the range, cropland and other agricultural resource and woodland resource management practices that Grantor intends to undertake. The Management Plan shall provide for a common management program ("Common Management Program") for the entire Easement Area and define the varying degrees of responsibility of the management entity or entities responsible for the Common Management Program. There shall be a single management entity for the entire Easement Area unless and until the Easement Area is Divided for the creation of the two (2) Owner Homesite Large Parcels, as provided in Subsection 4(a) (1) (C) of **Exhibit H**; upon such Division, the management responsibilities under the Common Management Program may be divided between two management entities. With respect to the zone(s) encompassed within the Owner Homesites, the management responsibility shall either be performed by the Owner Homesite Large Parcel management entity(ies) or assigned to not more than one other management entity, such as a homeowners association, so that there shall at no time be more than three management entities ("Common Management Entity" or "Common Management Entities") responsible for implementation of the Common Management Program. The Common Management Program shall require that those portions of each Owner Homesite Parcel located outside of the Owner Homesite (as these terms are defined in **Exhibit H** of this Conservation Easement) shall be managed as part of the Common Management Program by a Common Management Entity and not by the owner of the Owner Homesite Parcel. Grantor shall consult with Grantee in the course of Grantor's development of the Management Plan. Pending the completion and Grantee's approval of the Management Plan, Grantor shall manage the Easement Area in accordance with the provisions of the interim standards attached as **Exhibit E** ("Interim Management Criteria"). The only basis upon which Grantee may refuse to approve the Management Plan shall be Grantee's determination that the Management Plan is inconsistent with this Conservation Easement. In connection with Grantee's annual monitoring, Grantor and Grantee are encouraged to cooperatively review the effectiveness of Grantor's ongoing management practices in achieving the Conservation Purpose and to identify any adjustments and/or Management Plan modifications for Grantor's consideration.

7. **Mining.** Exploration for, or the development, mining, removal or extraction of any soil, sand, gravel, rock, oil, gas, or any other mineral or non-mineral substance by any surface or subsurface mining or extraction method, is prohibited except as provided for in this Section 7.

a)Oil and Natural Gas. The exploration for, or development and extraction of, oil and natural gas by any subsurface mining method is permitted only with the prior written permission of Grantee, upon a determination, based upon detailed plans submitted by Grantor, that (i) the impact of any such exploration, development and extraction will be limited and localized; (ii) such activities, including associated equipment, fixtures and improvements, if any, shall not be visible at any time from either Hearst Castle or State Highway 1; (iii) such activities will not disturb more than five (5) surface acres of the Easement Area in total for the duration of this Conservation Easement; (iv) the activities will not be irretrievably destructive of any significant conservation interests within the meaning of Treasury Regulation Section 1.170A-14(g)(4)(i) or its successor provision, if any; (v) the activities will be consistent with the Conservation Purpose; and (vi) the activities will not impair Conservation Values.

b)Other Minerals. The exploration for, or development and extraction of, minerals other than oil and natural gas by any method of mining is permitted only with the prior written permission of Grantee, upon a determination, based upon detailed plans submitted by Grantor, that (i) the impact of any such exploration, development and extraction will be at most limited and localized; (ii) such activities initiated after the Effective Date shall not disturb more than five (5) additional acres of the Easement Area in total for the duration of this Conservation Easement; (iii) such activities, including associated equipment, fixtures and improvements, if any, shall not be visible at any time from either Hearst Castle or State Highway 1; (iv) such activity(ies) will not be irretrievably destructive of any significant conservation interests within the meaning of Treasury Regulation Section 1.170A-14(g)(4)(i) or its successor provision, if any, (v) the activities will be consistent with the Conservation Purpose, and (vi) the activities will not impair Conservation Values. ***[Review Note: Locations and scope for such limited proposed uses will be included in the Management Plan.] [Baseline Conditions Report to document any exploration, development and extraction activities to be excluded from 5-acre cap.]***

c)Transfer of Rights. Except as provided in Subsections 7(a) and (b), above, Grantor shall not grant, transfer or otherwise convey any rights to any minerals, oil, gas or hydrocarbons, including without limitation the right to extract such items from the Easement Area, nor shall Grantor grant, transfer or otherwise convey any right to enter the surface of the Easement Area to extract such items from any other property.

8. **Roads**. Any road existing on the Effective Date and any new road approved and constructed as hereinafter provided, may be maintained, repaired, repaved, and rebuilt on the original alignment at Grantor's discretion without having to seek permission from Grantee. Existing roads are shown and described in the Baseline Conditions Report. Any new or relocated road may be constructed only with Grantee's advance written permission, which shall be provided upon Grantor's demonstration that the design and location of the proposed new or relocated road supports permitted uses and activities in the Easement Area and will not impair Conservation Values; *provided*, that in the case of a new or improved road required by any regulatory agency or reasonably necessary in order for Grantor to exercise a right retained by Grantor under

this Conservation Easement, Grantee shall approve the proposed new road or a reasonable alternative route; *provided, further*, that Grantee shall not disapprove the paving of any approved road required by a regulatory agency to be paved or which provides access to or within an approved Owner Homesite Area. No road on the Easement Area that is unpaved on the Effective Date shall subsequently be paved without Grantee's advance written permission, which shall be provided upon Grantor's demonstration in accordance with the preceding requirements. Unpaved roads existing on the Effective Date may be relocated as unpaved roads as required by agricultural operations or other permitted activities or uses in the Easement Area; *provided*, that each abandoned road must be returned to agriculture or an unimproved natural condition. For purposes of this paragraph, "pave", "paved", or "paving" shall include any impermeable covering of the soil surface, including, but not limited to, concrete and asphalt. To the extent reasonably necessary, Grantor may apply a reasonable amount of gravel or red rock material, or other permeable surface to provide an all-weather surface for roads in the Easement Area, and such all-weather surfacing shall not be considered paving.

9. Reserved Agricultural Rights.

(a) Agricultural Uses. Grantor retains the right to use the Easement Area for Commercial Agriculture, as defined below, and to permit others to use the Easement Area for Commercial Agriculture, in accordance with all applicable laws and regulations; *provided*, that such agricultural uses are conducted consistent with: (i) the Management Plan, prepared pursuant to Subsection 6(c), once that Management Plan has been approved by Grantee, and until then, the Interim Management Criteria (as defined in Subsection 6(a)), (ii) all other restrictions expressly set forth in this Conservation Easement, and (iii) the Conservation Purpose. As used herein, "Commercial Agriculture" shall mean: 1) soil cultivation and the raising and/or harvesting of any agricultural or horticultural commodity (including the raising, keeping, shearing, feeding, caring for, training, and management of animals) on the Easement Area; 2) the handling, processing, drying, packing, grading, storing or sale of any agricultural or horticultural commodity produced predominantly on the Easement Area; and 3) other uses allowable or conditionally allowable respectively in the Agriculture - Prime Soils and Agriculture - Non-Prime Soils Land Use Categories for the Coastal Zone under the Applicable Rules as defined in Section 31 (i.e., uses which are categorized as A (allowable use), S (special use) or P (principally permitted) uses under Coastal Table "O", as set forth in **Exhibit F-1** attached hereto), except such uses that are categorically prohibited by **Exhibit F-2**, subject to the restrictions set forth in this Section 9 and **Exhibit F-2**. Uses conditionally allowed pursuant to this Section 9 and **Exhibit F-2** shall be subject to the applicable limitations and conditions contained in this Conservation Easement. Grantor may utilize motorized vehicles off-road in connection with commercial agricultural production activities to the extent reasonably related to the conduct of such activities; *provided*, that no such use shall impair Conservation Values.

Notwithstanding the foregoing, all cropland intensification shall be prohibited within the Easement Area, except in the areas identified on **Exhibit D-6** ("Reserved

Farmland Areas") which in the aggregate encompass three thousand (3,000) acres, including any areas within Owner Homesites or areas of the Ranch located outside of the Easement Area, of which not more than three hundred (300) acres may be planted in vineyards and not more than an additional three hundred (300) acres of the Reserved Farmland Areas may be planted in orchards. "Cropland Intensification" shall mean all irrigated and/or cultivated land used in Commercial Agriculture. Orchards and vineyards shall be located outside the viewshed from the current alignment of Highway One. Cropland intensification within the zone shown on **Exhibit D-6** as "Restricted Viewshed Cropland Intensification Area" shall be limited to irrigated pasture (including growing alfalfa or other hay) and dry land farming uses in areas within that zone that are within the viewshed of Highway One. Grantor may propose to Grantee to modify the boundaries of the Reserved Farmland Areas; *provided*, any such modification must first be approved by Grantee based upon Grantee's reasonable determination that the modified Reserved Farmland Area will not impair Conservation Values; will not exceed the aggregate limit of three thousand (3,000) acres; and satisfies all of the following criteria: 1) is located on slope areas less than thirty percent (30%); 2) provides a level of protection comparable to that of the original Reserved Farmland Area in relation to setbacks from Wetlands, riparian woodlands, Oak woodlands, maritime chaparral, coastal prairie and viewshed; and 3) is comprised of one or more of the following: is historically farmed land; prime or suitable cropland soils as defined by the United States Department of Agriculture ("USDA") Natural Resource Conservation Service; Local Importance Farmland (as defined on the Effective Date by the California Department of Conservation), including non-irrigated prime and statewide land used for dryland wheat, barley, oats, and hayland; Local Potential Farmland (as defined on the Effective Date by the California Department of Conservation) containing prime or statewide soils which are presently not irrigated or cultivated. Cropland Intensification within any Reserved Farmland Area in accordance with this Subsection 9(a) is deemed to be consistent with the Conservation Purpose and to not impair Conservation Values.

(b) Existing Employee Housing to Support Ranch Uses. Grantor may enlarge (by not more than a cumulative fifty percent (50%) per structure over the square footage of the structure on the Effective Date), repair, and replace, with a like structure, each employee housing unit existing on the Effective Date, at its existing location, without having to seek permission from Grantee; *provided*, that any enlargement, repair or replacement must not impair Conservation Values. Before any enlargement or replacement greater than a cumulative fifty percent (50%) of any such structure, Grantor must first obtain the written consent of Grantee that the enlargement or replacement will not impair Conservation Values.

(c) New Employee Housing to Support Ranch Uses. Grantor is authorized to construct a net increase of ten (10) new ranch employee housing units over the number of ranch employee housing units on the Easement Area on the Effective Date without having to seek permission of Grantee, so long as Grantor satisfies the criteria of this subsection. In addition, Grantor retains the right, without seeking permission of Grantee, to construct an additional five (5) new ranch employee housing units to replace within the Easement Area employee housing units currently located on the Ranch but

outside the Easement Area at Old San Simeon Village, so long as Grantor satisfies the criteria of this subsection. New ranch employee housing units shall comply with all applicable County codes and standards. New employee housing shall be located only in the zones shown on **Exhibit D-4** ("Ranch Employee Housing Areas"). Any new employee housing unit constructed in the line of sight of any of the Protected Views, shall be Screened by existing topography, existing vegetation, and/or Landscaping as these terms are defined in **Exhibit H**. Each new employee housing unit shall be occupied only by the family of a bona fide employee of a Common Management Entity or the family of a bona fide employee of an owner or lessee of an Owner Homesite Large Parcel. No employee housing unit proposed to replace employee housing located within OSSV shall be considered authorized until written notification by Grantor to Grantee of Grantor's intent to convert an existing employee housing unit within the OSSV to another use permitted by any conservation easement applicable to OSSV. Upon the occupation of such replacement employee housing unit, the corresponding employee housing unit within the OSSV shall be permanently converted to another such permitted use. Concurrently with submitting any application to regulatory agencies for permits for the construction of an employee housing unit authorized in this Subsection 9(c), Grantor shall provide written notice to Grantee, accompanied by a copy of each such application. The notice from Grantor will include a statement by Grantor certifying the need by the Common Management Entity or the owner or lessee of an Owner Homesite Large Parcel or Common Management Entity for the additional Ranch employee and satisfaction of the siting criteria of this subsection. ***[Review Note: OSSV conservation easement will include corresponding provisions.]***

10. **Storage and Disposal Areas.** Permanent storing, dumping, or otherwise disposing of non-compostable refuse or trash is prohibited, except where such activities are both in compliance with all applicable laws and regulations and conducted at a Ranch Disposal Area specifically labeled as such on **Exhibit D-7** ("Storage and Disposal Areas"). The release, storage, or disposal of any Hazardous Substance (as defined in Section 23 hereof) on or within the Easement Area (including air, soil, surface water and ground water) is prohibited, except that herbicides, pesticides and other biocides utilized on the Easement Area in accordance with Sections 6 and 23, and incidental amounts of gasoline and diesel fuel utilized in the authorized agricultural operations, may be stored within the Easement Area; *provided* that all such utilization and storage shall be in compliance with applicable health, safety, and Environmental Laws (as defined in Section 23 hereof). Grantor shall promptly provide Grantee with a copy of any written notice received by Grantor from any governmental agency or service of process by any third-party of any regulatory or judicial action based on asserted non-compliance with any such applicable legal requirement or based on any release or disposal of any Hazardous Substance on or within the Easement Area. The storage of abandoned automobiles, trucks, machinery, and equipment for a period greater than ninety (90) days is prohibited, except in compliance with all applicable laws and regulations in Storage Areas shown on **Exhibit D-7**. Storage Areas and Ranch Disposal Areas may be relocated only with Grantee's advance written permission upon Grantor's demonstration that relocation is reasonably necessary to carry out permitted uses and activities on the Ranch and the proposed relocated Storage Area or Ranch

Disposal Area will not impair Conservation Values. Upon relocation, the former Storage Area or Ranch Disposal Area must be abandoned and the abandoned Storage Area or Ranch Disposal Area must be returned to another authorized use or an unimproved natural condition. This provision shall not affect Grantor's right to temporarily store materials for periods less than one hundred eighty (180) days; *provided*, that any such storage is in compliance with all applicable laws and regulations; *provided further*, such storage shall not be allowed to impair Conservation Values.

11. **Restrictions on Uses Other Than Commercial Agriculture.** All uses of the Easement Area other than Commercial Agriculture are prohibited, except as conditionally authorized in **Exhibit F-2**. All such conditionally authorized uses shall be conducted so as not to impair Conservation Values.

12. **Water Rights.** Grantor shall retain, maintain and preserve the right to develop and put to reasonable and beneficial use all water and water rights associated with the Easement Area, including surface and groundwater, so long as such use is consistent with maintaining adequate water supply and water quality so as not to impair Conservation Values. Grantor represents that the water and water rights associated with the Easement Area are and shall be sufficient to sustain present and future agricultural productivity, other retained rights and Conservation Values on the Easement Area. Grantor may transfer water or water rights from the Easement Area for use outside the Ranch only with the prior written permission of Grantee based upon determinations by Grantee that the transfer will not impair Conservation Values, particularly fish and wildlife, either at the time of transfer or following the exercise of other retained rights on the Easement Area. Grantor shall not otherwise transfer, encumber, lease, sell or separate any water or water rights from the Easement Area for use outside the Ranch.

At least ninety (90) days before Grantor submits an application for any regulatory approval for transfer of water or water rights for use outside the Ranch (or if no such approval is required, at least ninety (90) days before the proposed transfer), Grantor shall notify Grantee of, and request Grantee's Permission for, the proposed transfer. Grantor shall provide to Grantee a copy of any application for regulatory approval to transfer water or water rights for use outside the Ranch at the time the application is filed. Any application to the State Water Resources Control Board, or its successor, for regulatory approval to transfer water or water rights for use outside the Ranch shall stipulate that the transfer will be limited by and subject to the terms of this Conservation Easement and that the State Water Resources Control Board, or its successor, shall have the right to reduce or curtail the authorized supply of transferred water as necessary so as not to impair Conservation Values. Without limiting the other obligations of Grantor, Grantor is to limit any transfer of water or water rights for use outside the Ranch so as not to impair Conservation Values, including maintaining minimum stream flow requirements set during any regulatory permit process.

The use of groundwater on the Easement Area shall be reasonable and beneficial, and consistent with water uses and water quality required so as not to impair Conservation Values. Groundwater well pumping by Grantor in and adjacent to the Easement Area

shall be subject to a monitoring plan that is protective against impairment of Conservation Values. Any conjunctive use of ground water and surface water by Grantor shall be implemented in a manner that does not impair Conservation Values.

[Review Note: If the Junge Ranch is not included in initial closing because of inability or delay in getting tax credits, Junge Ranch will be removed from the legal description of the "Ranch".]

13. **Commercial Feedlots Prohibited.** The establishment or maintenance of a Commercial Feedlot, as defined below, is prohibited. For purposes of this Conservation Easement, "Commercial Feedlot" is defined as: (a) a permanently constructed confined area or facility which is used and maintained for purposes of engaging in the business of feeding livestock; and (b) which is not grazed or cropped annually. The term Commercial Feedlot shall not include the establishment, use or maintenance of corrals, holding pens or pastures.

14. **Rights Retained by Grantor; Non-Profit Events.** Except as expressly restricted or extinguished by the terms and conditions of this Conservation Easement, Grantor retains all ownership rights in the Easement Area and retains the right to perform any act not prohibited or limited by this Conservation Easement. Grantor's present uses in their current locations are deemed to be consistent with the terms of this Conservation Easement. Grantor's retained rights include, but are not limited to:

(a) the right to exclude any member of the public from trespassing on the Easement Area;

(b) the right to sell, encumber, or otherwise transfer the Easement Area or portions thereof, subject to the restrictions on Division set forth in Section 4, above, and **Exhibit H** to anyone Grantor chooses;

(c) the right to defend against actions of eminent domain;

(d) the right to grant easements and other third-party authorizations for (i) the facilities and uses authorized in Section 3, Section 9, Section 11 and Section 12; (ii) rights of public access; and (iii) roads authorized pursuant to Section 8; *provided*, that, prior to the grant of any easement or any other third-party property interest pursuant to the reserved right retained in this Subsection 14(d), Grantor shall provide Grantee with actual written notice of such grant, including a copy of the granting instrument;

(e) the right to grant additional conservation easement rights over the Easement Area, including rights of public access; *provided*, that (i) such additional conservation easement rights shall not conflict with any of Grantee's rights under this Conservation Easement; (ii) such additional conservation easement rights shall not allow any uses of the Easement Area that will impair Conservation Values; (iii) Grantor shall notify Grantee in writing at least ninety (90) days in advance of any proposed new

grant of conservation easement over any portion of the Easement Area, which notice shall include the proposed grant of conservation easement; and (iv) no new grant of conservation easement shall result in Grantee's having to bear any additional obligation or cost under this Conservation Easement; and

(f) without further permission from Grantee, Grantor may authorize relocation of the existing alignment of State Highway 1, or any portion thereof, inland of the existing alignment.

(g) Grantor shall allow limited access to the Easement Area, other than any then existing Owner Homesite(s) (as defined in **Exhibit H**), for purposes of holding four special, non-profit events per year, with such groups and functions to be selected by Grantor, and without any requirement for further permission from Grantee; *provided*, that such events shall not be allowed to impair Conservation Values; and, *further provided*, that such access shall be limited as prescribed by Grantor for such events, consistent with limits customarily prescribed by Grantor for such events prior to the Effective Date.

Grantor retains the obligation to ensure that third party uses of the Easement Area authorized by Grantor are in compliance with this Conservation Easement.

15. Responsibilities of Grantor and Grantee Not Affected. Other than as specified herein, this Conservation Easement is not intended to impose any legal or other responsibility on the Grantee, or in any way to affect any existing obligation of the Grantor as owner of the Easement Area. Among other things, this shall apply to:

(a) Taxes. Grantor shall pay before delinquency all taxes, assessments, fees and charges of whatever description levied on or assessed against the Easement Area or the property underlying the Easement Area by competent authority, and Grantor shall promptly reimburse Grantee for any tax or assessment on the Conservation Easement that Grantee is required to pay; *provided*, that the preceding provisions shall be interpreted to not obligate Grantor to pay any capital gains tax owed by Grantee as a result of a voluntary or involuntary transfer by Grantee of its interests under this Conservation Easement.

(b) Upkeep and Maintenance. Grantee shall have no obligation for the upkeep or maintenance of the Easement Area unless Grantor and Grantee mutually agree on cooperative programs and cost sharing for specific projects.

(c) Liability and Indemnification.

- (1) Grantor shall and hereby agrees to hold harmless, indemnify, protect, and defend Grantee, its officers, directors, members, employees, contractors, legal representatives, agents, successors and assigns and each of them (collectively "Grantee Indemnified Parties") from and against all liabilities, penalties, costs, losses, orders, liens, damages, expenses, causes of action, claims, demands, or judgments, including without limitation reasonable attorneys' and experts' fees, arising from or in any way connected with:
(a) injury to or the death of any person, or physical damage to any property, resulting from any act, omission, condition or other matter related to or occurring on or about the Easement Area, regardless of cause, except to the extent caused by the negligence or willful misconduct of any of the Grantee Indemnified Parties; (b) a violation of, or other failure to comply with, any state, federal or local law, regulation or requirement, by Grantor, or any party other than one of the Grantee Indemnified Parties acting upon permission from Grantor, in any way affecting, involving or relating to the Easement Area, except to the extent caused by the negligence or willful misconduct of any of the Grantee Indemnified Parties; (c) the breach by Grantor of any of its obligations set forth in this Conservation Easement.
- (2) Grantee shall hold harmless, indemnify, and defend Grantor and its officers, directors, employees, contractors, legal representatives, agents, heirs, personal representatives, successors and assigns, and each of them (collectively "Grantor Indemnified Parties") from and against all liabilities, penalties, costs, losses, damages, expenses, causes of action, claims demands, or judgments, including without limitation, reasonable attorneys' and experts' fees, arising from or in any way connected with any injury to or the death of any person, or physical damage to any property, resulting from any act, omission, condition, or other matter related to or occurring on or about the Easement Area to the extent caused by the negligence or willful misconduct of Grantee Indemnified Parties.

(d) Insurance. Grantor shall maintain a comprehensive general liability policy insuring against bodily injury and property damage on the Easement Area in the amount of not less than five million dollars (\$5,000,000), which amount shall be adjusted every five (5) years to reflect the percentage increase during the past five (5) years in the CPI (as defined below); *provided*, Grantor may self insure to the extent

reasonably approved by Grantee. In the event of a transfer of an Owner Homesite Parcel, the transferee shall maintain a comprehensive general liability policy insuring against bodily injury and property damage on the Easement Area in the amount of not less than one million dollars (\$1,000,000), which amount shall be adjusted every five (5) years to reflect the percentage increase during the past five years in the CPI. The “CPI” means the United States Department of Labor’s Bureau of Labor Statistics Consumer Price Index for all Urban Consumers (CPI-U, all items) (1982-84=100), or the successor of such index. Grantee shall be named an additional insured on the policy. The liability insurance shall apply as primary insurance with respect to any other insurance or self-insurance programs afforded to Grantee. Grantor waives all rights of subrogation against Grantee and its agents, representatives, officers, directors and employees for recovery of damages to the extent these damages are covered by insurance maintained pursuant to this Conservation Easement. Grantor shall furnish Grantee with certificate(s) of insurance, executed by a duly authorized representative of each insurer, showing compliance with the insurance requirements set forth above. Such certificates shall provide for thirty (30) days written notice to Grantee prior to the cancellation or material change of any insurance referred to herein. Any failure of Grantee to demand such certificate or other evidence of full compliance with these insurance requirements or failure of Grantee to identify a deficiency from evidence that is provided shall not be construed as a waiver of Grantor’s obligation to maintain such insurance. The foregoing insurance requirements do not replace, waive, alter or limit the hold harmless or indemnification provisions of this Conservation Easement.

16. Easement Area Management and Issue Resolution.

(a) Right of Entry. Officers, directors and employees of Grantee, and Grantee’s contractors approved by Grantor in Grantor’s sole discretion (“Authorized Monitors”) shall have the right to enter at least annually with two week’s advance notice onto the Easement Area for purposes of monitoring compliance with the terms of this Conservation Easement. ***[Review Note: Minimum qualifications of Authorized Monitors will be addressed in Monitoring Protocol required under Grant Agreement.]*** Entry shall be by no more than four (4) Authorized Monitors for no more than four (4) days per year for the Easement Area; *provided*, that if the Easement Area is Divided to create two (2) Owner Homesite Large Parcels, as provided in Section 4, above, and **Exhibit H**, these limitations shall apply separately to each such Owner Homesite Large Parcel; *provided, further*, that Grantee shall be allowed such additional entries as may be reasonably necessary in connection with (i) Grantee’s review of any new proposed construction that is subject to a requirement for Grantee’s prior review and approval under Section 3, above; (ii) any proposed change in the boundaries or location of an Owner Homesite or Homesite Improvement Area, pursuant to Subsection 3(d), above, and **Exhibit H**; (iii) confirmation that a proposed new Ranch employee housing unit meets the criteria set forth in Subsection 9(c), above; or (iv) any other activity that is subject to Grantee’s approval or Permission under this Conservation Easement. Grantor’s representatives shall have the right to accompany the Authorized Monitors. When Grantee has provided notice to Grantor of a circumstance that Grantee considers to be a bona-fide violation of this Conservation Easement, entry by

Authorized Monitors for up to an additional four (4) days is allowed with as much advance written notice as is reasonable under the circumstances. In addition, Grantor shall allow access for independent audits of Grantee's monitoring and enforcement of this Conservation Easement in accordance with the Audit Policy and Procedures dated June 4, 2004, a copy of which is attached as **Exhibit I**. Any additional entry shall require advance written permission by Grantor. Grantee's monitoring and access activities shall not unreasonably interfere with normal operations on the Easement Area.

(b) Issue Resolution. If either Party to this Conservation Easement (the "Non-Defaulting Party") determines that the other Party (the "Defaulting Party") is in violation of any term of this Conservation Easement or that a violation is threatened, the Non-Defaulting Party shall deliver written notice ("Default Notice") to the Defaulting Party of such violation. Not later than fourteen (14) days after the delivery of such written notice, the Parties shall meet on site with an agreed upon Certified Rangeland Manager certified by the California Section of the Society for Range Management pursuant to its Program for Certification of Professional Rangeland Managers dated June 5, 1992 and amended on November 4, 1993 ("Certified Rangeland Manager") or other expert, such as wildlife biologist, fisheries biologist, botanist or plant ecologist, duly qualified in the subject matter of the asserted violation ("Consulting Expert") to discuss the circumstances of the asserted violation and to attempt to agree on appropriate corrective action. The Parties shall share equally the costs of retaining the services of the agreed upon Consulting Expert for such discussion; *provided*, if the Parties are unable to agree on the selection of a Consulting Expert, each Party may retain the services of a private entity expert at its own expense. If the Parties are unable to agree on appropriate corrective action, the Non-Defaulting Party shall deliver a further written notice to the Defaulting Party to demand particular corrective action to cure the violation. The Defaulting Party shall cure the violation within thirty (30) days after receipt of such further notice, or under circumstances where the violation cannot reasonably be cured within such thirty (30) day period, shall commence curing such violation as soon as possible within such thirty (30) day period and shall continue diligently to cure such violation until finally cured.

(c) Judicial Enforcement. If the Defaulting Party fails to cure the violation within thirty (30) days after receipt of such further notice from the Non-Defaulting Party, or under circumstances where the violation cannot reasonably be cured within a thirty (30) day period, fails to begin curing such violation within the thirty (30) day period, or fails to continue diligently to cure such violation until finally cured, the Non-Defaulting Party may bring an action at law or in equity in a court of competent jurisdiction to enforce the terms of this Conservation Easement.

(d) Expert Assistance. The opinions of any Certified Rangeland Manager, or other Consulting Expert, if jointly engaged to assist the Parties in the resolution of any claim of impairment of Conservation Values, shall be admissible in any judicial proceedings conducted with respect to that asserted violation.

(e) Immediate Relief. Notwithstanding any of the foregoing, if at any

time an ongoing or imminent violation of the terms of this Conservation Easement could impair Conservation Values of the Easement Area and there is a showing that irreparable harm would result if Grantee were required to first complete the issue resolution process set forth in Subsections 16(b) and (c), above, Grantee may proceed immediately to seek an injunction to stop the violation, temporarily or permanently. Injunctive relief or other judicial relief will not be allowed to interfere with the rights of Grantor as reserved in this Conservation Easement.

(f) Alternative and Cumulative Remedies. The remedies described in this Section 16 shall be cumulative and shall be in addition to all remedies now or hereafter existing at law or in equity. Furthermore, the provisions of California Civil Code Section 815 *et seq.* are incorporated herein by this reference and this Conservation Easement is made subject to all of the rights and remedies set forth therein. The prevailing Party shall be entitled to recover its costs incurred in any such enforcement effort, including reasonable attorneys', consultants' and experts' fees and costs. Notwithstanding the foregoing, to the maximum extent allowed by law, the issue resolution process provided for in Subsections 16(a) – (e) shall be followed.

(g) Grantee's Review Costs. Grantor shall be solely responsible for bearing all reasonable costs and expenses, including reasonable attorneys' and consultants' fees and costs, of: (i) Grantee's review of any request by Grantor for Grantee's approval of any development or other use of the Easement Area for which Grantee's discretionary approval is required under Sections 3, 4 or 7 through 11, and 15(d); and (ii) Grantee's participation in any regulatory proceeding in support of approval of development proposed in accordance with the provisions of Subsection 3(d) or Division of the Easement Area proposed in accordance with the provisions of Section 4 and **Exhibit H**.

17. Forbearance No Waiver. Forbearance by the Grantee or Grantor to exercise its respective rights under this Conservation Easement shall not be construed to be a waiver by the Grantee or Grantor of such term or of any subsequent breach of the same or any other term of this Conservation Easement. No delay or omission in the exercise of any right or remedy by Grantor or Grantee shall impair such right or remedy or be construed as a waiver.

18. Grantee Transfer of Conservation Easement.

(a) In the event that Grantee decides, or is required by WCB or any successor of WCB to the WCB Grant Agreement, to assign its interest under this Conservation Easement, Grantee shall provide Grantor with written notice of such intention or requirement and shall allow Grantor a period of one hundred eighty (180) days within which to designate an assignee that must: (a) be qualified to hold a conservation easement under Section 815.3 of the California Civil Code; (b) be a "qualified organization" as defined in Section 170(h)(3) of the U.S. Internal Revenue Code, 26 USC §170(h)(3); (c) not be an "Affiliate" (as defined below) of Grantor or any lessee of any portion of the Easement Area or any management entity responsible for

the Common Management Program; (d) be willing and financially able to assume all of the responsibilities imposed on Grantee under this Conservation Easement including without limitation monitoring and enforcement; and (e) be willing and financially able to assume by written assignment the obligations and responsibilities imposed under the WCB Grant Agreement. As used in this Subsection 18(a), "Affiliate" means an entity which directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with another person or entity. The Parties intend that, in the selection of a transferee, preference be given to a qualified organization with an agricultural and rangeland conservation purpose as well as requisite experience in preserving and protecting the other Conservation Values. Said organization should have a board, staff, or consultants with practical agricultural management experience. This Conservation Easement shall not be transferred by Grantee to any governmental entity or public agency without the consent of Grantor, which consent shall be in Grantor's sole discretion, except as otherwise provided below. In the events that (i) Grantor fails to designate a qualified assignee within the specified time, and (ii) Grantee is not then the American Land Conservancy ("ALC"), and (iii) Grantee is unable or unwilling to extend the time for Grantor's designation of an assignee, then Grantor may designate ALC as holder of the Conservation Easement, provided ALC meets the preceding five qualifying criteria. In the events that at the end of the one hundred eighty (180)-day period either an assignment has not been made or Grantor has not petitioned a court of competent jurisdiction to transfer this Conservation Easement to an entity that meets the foregoing five designation criteria, WCB may petition a court of competent jurisdiction to transfer this Conservation Easement to any entity that meets all of the foregoing designation criteria. In the event such court is unable to identify such entity, the court shall transfer this Conservation Easement to WCB, or any successor of WCB to the WCB Grant Agreement. Grantor shall promptly proceed in accordance with Subsection 18(b), below, upon becoming aware that Grantee no longer exists or no longer qualifies to hold this Conservation Easement.

(b) If Grantee ever ceases to exist or no longer qualifies under Section 170(h) of the U.S. Internal Revenue Code, or applicable state law, or no longer meets any of the five qualification criteria provided in Subsection 18(a), and at the occurrence of any such event Grantee is not ALC, then Grantor shall petition a court of competent jurisdiction to transfer this Conservation Easement to ALC as holder of the Conservation Easement; *provided*, that ALC meets each of the five qualifying criteria provided in Subsection 18(a). Upon ALC's acceptance of such assignment, any subsequent assignment by ALC shall be made in accordance with the provisions of Subsection 18(a), above. If ALC is the Grantee at the occurrence of the event which triggers this Subsection 18(b), or in the event ALC for any reason does not accept, or fails to qualify for, an assignment, then Grantor shall petition the court to transfer this Conservation Easement to an organization that meets all of the designation criteria specified in Subsection 18(a). In the event that the court is unable to identify such a transferee entity, the court shall transfer this Conservation Easement to WCB, or any then existing successor of WCB to the WCB Grant Agreement.

(c) Grantor and Grantee, if Grantee remains in existence, shall consult with WCB in selecting any successor Grantee pursuant to the transferee qualification criteria set forth in Subsections 18(a) and (b), above, and the assignments of the Conservation Easement and the WCB Grant Agreement shall be subject to WCB's concurrence that the transferee meets the transferee qualification criteria; *provided*, that such concurrence shall not be unreasonably withheld or delayed. Any transfer of Grantee's interest under this Conservation Easement (except a transfer to WCB or its successor to the WCB Grant Agreement) shall be effected concurrently with the transferee's written assumption of the WCB Grant Agreement.

19. Grantor Transfer of the Easement Area.

(a) Notification. Any time the Easement Area, or any portion thereof, or any interest in any portion thereof, is transferred by the Grantor to any third party, the Grantor shall notify the Grantee in writing prior to the transfer, and the deed of conveyance or other transfer instrument shall expressly refer to this Conservation Easement. Failure to notify Grantee or include the required reference to this Conservation Easement in the deed or other transfer instrument shall not affect the continuing validity and enforceability of this Conservation Easement.

(b) Transfer Fee. A transfer of the Easement Area or any portion thereof will result in an additional burden on the monitoring and enforcement responsibilities of Grantee; therefore, in connection with any sale or other transfer of the Easement Area, or any portion thereof or interest therein (other than a transfer solely to change the method of holding title by the same Party or Parties, including but not limited to any affiliate of Hearst Holdings, Inc and/or The Hearst Corporation, or where the transfer is not considered by the County Assessor as a change of ownership for property tax assessment purposes) there shall be paid to Grantee by the purchaser or transferee a transfer fee. The amount of the transfer fee in the event of a transfer of either the entire Easement Area or an Owner Homesite Large Parcel (as defined in **Exhibit H**) shall be equal to two tenths of one percent (.2%) of the Land Value. "Land Value" shall be the value of the land (without improvements) established by agreement of the Parties, or if there is no agreement, by the County Assessor upon reassessment of the land (not improvements) following the transfer. The amount of the transfer fee in the event of a transfer of an Owner Homesite Parcel, Headquarters Area parcel or Pico Area parcel (as defined in **Exhibit H**) shall be equal to two tenths of one percent (.2%) of the Land Value in the event of a transfer, not otherwise exempt from a transfer fee, to a current or future beneficiary of any shareholder of Hearst Holdings, Inc. and/or The Hearst Corporation, and four tenths of one percent (.4%) of the Land Value in the event of a transfer to any other party not otherwise exempt from a transfer fee.

20. Amendment of Conservation Easement. This Conservation Easement may be amended only with the written consent of Grantee and Grantor. Any such amendment shall be consistent with the Conservation Purpose and shall comply with § 170(h) of the U.S. Internal Revenue Code, California Civil Code §§ 815, *et seq.*, and any regulations promulgated in accordance with those statutory provisions. Any such

amendment shall also be consistent with California law governing conservation easements and shall not affect the perpetual duration of this Conservation Easement. All amendments shall refer to this Conservation Easement and shall be recorded in the official records of San Luis Obispo County.

21. No Public Dedication or Public Access. Nothing contained in this Conservation Easement shall be deemed to be a gift or dedication of any portion of the Easement Area for use by the general public. This instrument does not convey any general or specific right of access to the public.

22. Grantor's Title Warranty; No Prior Conservation Easements. Grantor represents and warrants that Grantor has good fee simple title to the Easement Area, free from any and all liens or encumbrances except those liens and encumbrances shown in the preliminary title report provided to Grantee or otherwise disclosed to Grantee prior to recordation of this Conservation Easement. Grantor represents and warrants that the Easement Area is not subject to any other conservation easement.

23. Environmental Provisions.

(a) Grantee Not an Owner, Operator, or Responsible Party.

(1) Notwithstanding any other provision herein to the contrary, the Parties do not intend this Conservation Easement to be construed such that it creates in or gives the Grantee:

(A) the obligations or liability of an "owner" or "operator" as those words are defined and used in Environmental Laws, as defined below, including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (42 USC §§ 9601 *et seq.* and hereinafter "CERCLA");

(B) the obligations or liability of a person described in 42 USC § 9607(a)(3) or (4);

(C) the obligations of a responsible person under any applicable Environmental Laws, as defined below;

(D) the right to investigate and remediate any Hazardous Substances, as defined below, associated with the Easement Area; or

(E) any control over Grantor's ability to investigate, remove, remediate, or otherwise clean up any Hazardous Substances associated with the Easement Area.

(b) Environmental Liabilities and Indemnification. Grantor and Grantor's successors in interest shall indemnify, protect and defend with counsel

acceptable to Grantee, and hold harmless the Grantee Indemnified Parties from and against any claims (including, without limitation, third party claims for personal injury or death, damage to property, or diminution in the value of property), actions, administrative proceedings (including informal proceedings), judgments, damages, punitive damages, penalties, fines, costs, liabilities (including sums paid in settlement of claims), remedial action, compliance requirements, enforcement and clean-up actions of any kind, interest or losses, attorneys' fees (including any fees and expenses incurred in enforcing this indemnity), consultant fees, and expert fees that arise directly or indirectly from or in connection with: (i) the claimed presence or Release (as defined below) of any Hazardous Substance, affecting the air, soil, surface water or groundwater of or at the Easement Area; (ii) any violation or alleged violation of Environmental Law (as defined below) affecting the Easement Area, whether occurring prior to or during Grantor's ownership of the Easement Area and whether caused or permitted by Grantor or any person other than Grantor; or (iii) any claim or defense by Grantor or any third party that any of the Grantee Indemnified Parties is liable as an "owner" or "operator" of the Easement Area under any Environmental Law. The foregoing indemnity obligations shall not apply with respect to any Hazardous Substance released or deposited as a result of action by the Grantee Indemnified Parties on or about the Easement Area. The indemnity obligations of any successor in interest of Grantor pursuant to this Subsection 23(b) shall be limited to the portion of the Easement Area to which the successor takes title. Notwithstanding any statutory limitation otherwise applicable, the indemnity obligations of Grantor to the Grantee Indemnified Parties pursuant to this Subsection 23(b) shall continue after transfer to a successor in interest unless a written request for consent to assignment of such indemnity obligations to a successor in interest is approved by Grantee. In considering any such request, Grantee may take into account the financial capabilities of the successor in interest, without regard to any third party financial assurances. Grantee's consent to such assignment may be denied only if there is a commercially reasonable basis for such denial.

(c) Definitions.

(1) The term "Environmental Law" shall include, but shall not be limited to, each statute named or referred to below, and all rules and regulations there under, and any other local, state and/or federal laws, ordinances, rules, regulations, orders and decrees, whether currently in existence or hereafter enacted, or common law, which govern (i) the existence, cleanup and/or remedy of contamination or pollution on property; (ii) the protection of the environment from soil, air or water contamination or pollution, or from spilled, deposited or otherwise emplaced contamination or pollution; (iii) the emission or discharge of Hazardous Substances into the environment; (iv) the control of Hazardous Substances; or (v) the use, generation, transport, treatment, removal or recovery of Hazardous Substances.

(2) The term "Release" means any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping or disposing of any Hazardous Substance into the environment (including, without limitation, the continuing migration of Hazardous Substances into, onto or through the

soil, surface water, or groundwater, and the abandonment or discarding of barrels, containers, and other receptacles containing any Hazardous Substance), whether or not caused by, contributed to, permitted by, acquiesced to or known to Grantor.

(3) The term "Hazardous Substance" shall mean (a) any oil, flammable substance, explosives, radioactive materials, hazardous wastes or substances, toxic wastes or substances or any other wastes, materials or pollutants which (i) pose a hazard to the Easement Area or to persons on or about the Easement Area or (ii) cause the Easement Area to be in violation of any Environmental Law; (b) asbestos in any form which is or could become friable, urea formaldehyde foam insulation, transformers or other equipment which contain dielectric fluid containing levels of polychlorinated biphenyls, and radon gas; (c) any chemical, material or substance defined as or included in the definition of "hazardous substances," "hazardous wastes," "hazardous materials," "extremely hazardous waste," "restricted hazardous waste," "toxic substances" or words of similar import under any applicable local, state or federal law or under the regulations adopted or publications promulgated pursuant thereto, including CERCLA, 42 USC section 9601, *et seq.*; the Resource Conservation and Recovery Act ("RCRA"), 42 USC section 6901, *et seq.*; the Hazardous Materials Transportation Act, 49 USC section 1801, *et seq.*; the Federal Water Pollution Control Act, 33 USC section 1251, *et seq.*; the California Hazardous Waste Control Law ("HWCL"), Cal. Health & Safety Code section 25100, *et seq.*, Hazardous Substance Account Act ("HSAA"), Cal. Health & Safety Code section 25300, *et seq.*, the Porter-Cologne Water Quality Control Act (the "Porter-Cologne Act"), Cal. Water Code section 13000, *et seq.*, the Safe Drinking Water and Toxic Enforcement Act of 1986 (Proposition 65); Title 22 of the California Code of Regulations, Division 4, Chapter 30; (d) any other chemical, material or substance, exposure to which is prohibited, limited or regulated by any governmental authority or may or could pose a hazard to the health and safety of the occupants of the Easement Area or the owners and/or occupants of property adjacent to or surrounding the Easement Area, or any other person coming upon the Easement Area or adjacent property; and (e) any other chemical, materials or substance which may or could pose a hazard to the environment.

24. Interpretation. This instrument shall be interpreted under the laws of the State of California, resolving any ambiguities and questions of the validity of specific provisions so as to give effect to its Conservation Purpose. If any provision of this Conservation Easement, or the application thereof to any person or circumstances, is found to be invalid, the remainder of the provisions of this Conservation Easement, or the application of such provisions to persons or circumstances other than those as to which it is found to be invalid, as the case may be, shall not be affected.

25. Captions. The captions in this Conservation Easement have been inserted solely for convenience of reference and are not a part of this Conservation Easement and shall have no effect upon its construction or interpretation.

26. Perpetual Duration. The easement created by this instrument shall be a servitude running with the land in perpetuity. Every provision, right and obligation of this Conservation Easement that applies to Grantor and Grantee shall also apply to and be

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binding upon their respective agents, heirs, executors, administrators, successors and assigns.

27. Notices. Any notice, demand, request, consent, approval or communication that either Party desires or is required to give to the other shall be in writing and either served personally or sent by United States certified mail, return receipt requested, addressed as follows or such other address as either Party from time to time shall designate by written notice to the other.

To GRANTOR: HEARST HOLDINGS, INC.
Attention: Stephen T. Hearst
Vice President and Manager
San Simeon Ranch Division
5 Third Street, Suite 200
San Francisco, CA 94103
Telephone: (415) 777-0600
Fax: (415) 543-3490

With a copy to: Hearst Holdings, Inc.
Attention: General Counsel
959 8th Avenue
New York, NY 10019

To GRANTEE: AMERICAN LAND CONSERVANCY
Attention: Ms. Harriet Burgess
1388 Sutter Street, Suite 810
San Francisco, CA 94109
Phone: (415) 749-3010
Fax: (415) 749-3011

28. Condemnation. If all or any part of the Easement Area is taken by exercise of the power of eminent domain, or acquired by purchase in lieu of condemnation, so as to terminate this Conservation Easement in whole or in part, Grantor and Grantee shall act jointly to recover the full value of their respective interests in the Easement Area so taken or purchased, and all direct or incidental damages resulting therefrom. If only a portion of the Easement Area is subject to such exercise of eminent domain, this Conservation Easement shall remain in effect as to all other portions of the Easement Area.

29. Extinguishment. If circumstances arise in the future that render the purpose of this Conservation Easement impossible to accomplish, this Conservation Easement can only be terminated or extinguished, whether in whole or in part, by judicial proceedings in a court of competent jurisdiction, and the amount of the compensation to which Grantee shall be entitled from any sale, exchange, or involuntary conversion of all or any portion of the Easement Area subsequent to such termination or extinguishment, shall be determined, unless otherwise provided by

applicable Federal or California law at the time, in accordance with Section 30. Grantee shall use any proceeds received under the circumstances described in this paragraph in a manner consistent with the conservation purposes which are exemplified by this Conservation Easement.

30. **Valuation.** This Conservation Easement constitutes a real property interest immediately vested in Grantee. For the purpose of Section 29, Extinguishment, the Parties stipulate that this Conservation Easement has a fair market value determined by multiplying (a) the fair market value of the Easement Area (at the time of extinguishment) unencumbered by the Conservation Easement (minus any increase in value attributable to improvements made after the date of this Conservation Easement) by (b) the ratio of the fair market value of the Conservation Easement to the fair market value of the Easement Area, as of the Effective Date, unencumbered by the Conservation Easement. The values as of the Effective Date shall be those values used to calculate the deduction for federal income tax purposes allowable by reason of this Conservation Easement pursuant to Section 170(h) of the Internal Revenue Code of 1954, as amended. For the purposes of this paragraph, the ratio of the value of the Conservation Easement to the value of the Easement Area unencumbered by the Conservation Easement shall remain constant.

31. **Laws Currently in Effect.** Except for the term “Applicable Rules”, which is specifically defined below, all references in this Conservation Easement to statutes, regulations and other laws shall be deemed to refer to those statutes, regulations and laws currently in effect, or as amended (or any successor provision then applicable). The term “Applicable Rules” as used in this Conservation Easement is defined as the County and other regulatory requirements applicable to development within the Easement Area as of the Effective Date. In the event that the existing County and/or other applicable regulatory requirements are changed to become more restrictive, Grantee agrees that Grantor shall retain the right to request exceptions to or amendments to such changes from the regulatory agencies such that it can seek permits which comply with the Applicable Rules. In the event that the existing County and other applicable regulatory requirements are changed to become less restrictive, Grantor agrees that the Applicable Rules will nonetheless continue to apply to development within the Easement Area. The preceding definition of Applicable Rules shall not be deemed to prohibit Grantor from seeking zoning changes specifically contemplated in this Conservation Easement.

32. **Entire Agreement.** This instrument sets forth the entire agreement of the Parties with respect to the Easement Area and supersedes all prior discussions, negotiations, understandings or agreements relating to the Easement Area, all of which are herein merged.

33. **Counterparts.** The Parties may execute this instrument in two or more counterparts, which shall, in the aggregate, be signed by both Parties; each counterpart shall be deemed an original instrument as against any Party who has signed it.

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34. **Attorneys' Fees.** Should proceedings be brought to enforce or interpret any of the terms of this instrument, the prevailing Party in any such proceedings shall be entitled to recover from the non-prevailing Party its costs, including reasonable attorneys' fees and expert's fees.

35. **Permission.** Whenever permission, consent or approval ("Permission") is required pursuant to this Conservation Easement, such Permission shall be obtained in advance and in writing signed by the Party from whom Permission is to be obtained. Except as otherwise provided in this Conservation Easement, whether Permission should be granted or denied shall be determined based upon the purposes of this Conservation Easement, and shall not be unreasonably withheld, unless consent or permission is specified in the Conservation Easement as being within the sole discretion of a Party.

36. **Exhibits.** The following exhibits attached hereto are incorporated herein by this reference:

Exhibit A:	Ranch Legal Description <i>[Remove Junge Ranch if excluded]</i>
Exhibit B:	Easement Area Legal Description
Exhibit C:	Easement Area Map
Exhibit D-1-A	Eligible Owner Homesite Areas: Overall Map
Exhibit D-1-B	Eligible Owner Homesites: Area #1 – Garcia
Exhibit D-1-C	Eligible Owner Homesites: Area #2 – Del Corral
Exhibit D-1-D	Eligible Owner Homesites: Area #3 – Laguna
Exhibit D-1-E	Eligible Owner Homesites: Area #4 – Marmolejo
Exhibit D-1-F	Eligible Owner Homesites: Area #5 - Pico
Exhibit D-2	Headquarters Area
Exhibit D-3	Pico Area
Exhibit D-4	Ranch Employee Housing Areas
Exhibit D-5	Junge-OSSV Employee Housing Area
Exhibit D-6	Reserved Farmland Areas
Exhibit D-7	Storage and Disposal Areas
Exhibit E	Interim Management Criteria
Exhibit F-1	Land Uses Allowable or Conditionally Allowable in Coastal Agriculture Zones
Exhibit F-2	Additional Restrictions on Uses
Exhibit G	Castle Vantage Points
Exhibit H	New Owner Homesite and Subdivision Criteria
Exhibit I	California Rangeland Trust Audit Policy and Procedures

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37. **Effective Date.** This Conservation Easement is effective as of the date of recordation in the Official Records of the County of San Luis Obispo ("Effective Date").

Agreed to and executed by:

HEARST HOLDINGS, INC.,
GRANTOR:

By: _____
Stephen T. Hearst
Vice President and Manager
San Simeon Ranch Division

Date

AMERICAN LAND CONSERVANCY,
GRANTEE:

By: _____
Harriet Burgess
President

Date

[Add notary acknowledgments]